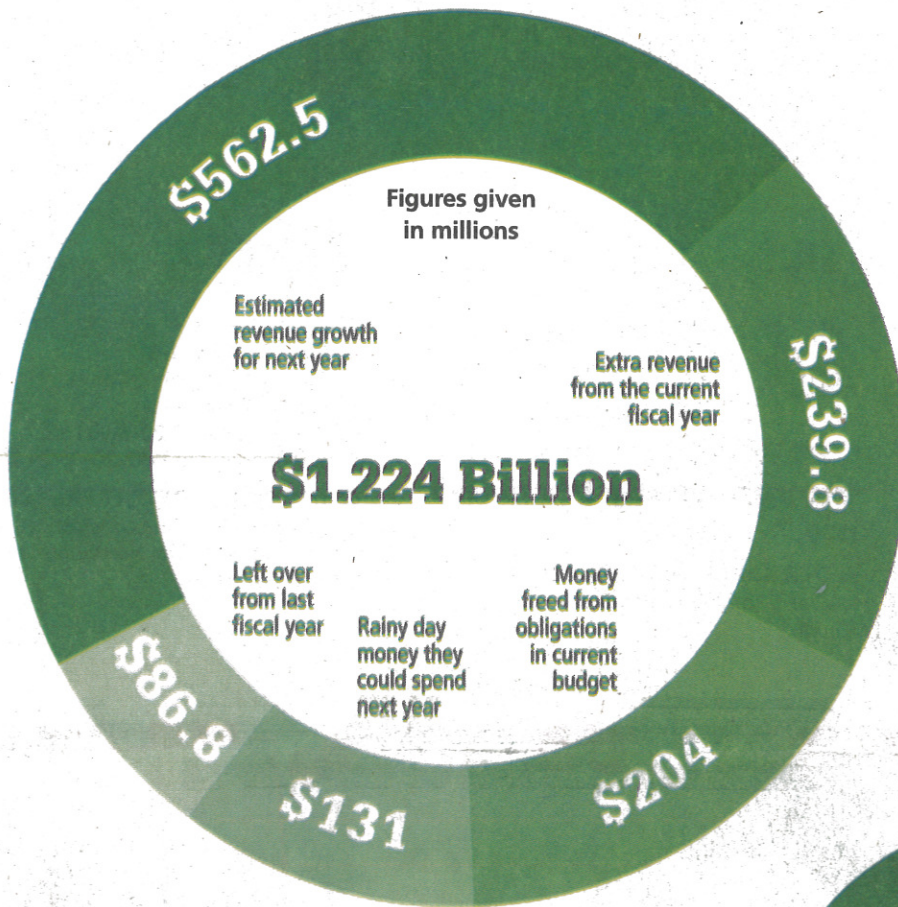


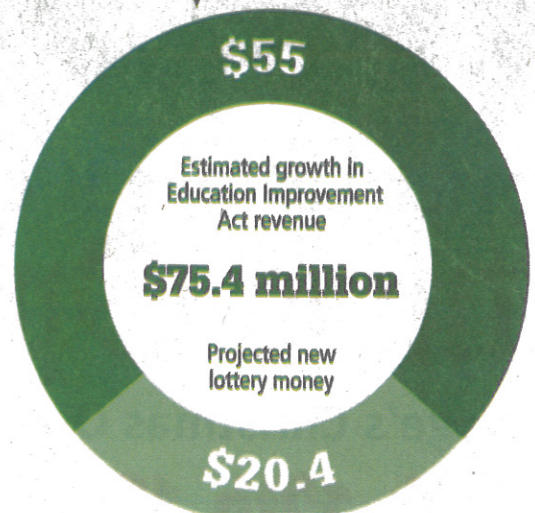
Lawmakers mull plans for unexpected revenue boon

Officials say \$1.3 billion forecast with unexpected revenue could go to roads, flood costs, tax relief



Each fiscal year, the state Board of Economic Advisors (BEA) estimates how much money lawmakers have to work with when writing the General Fund budget. As revenue from personal and business taxes comes in during the year, these estimates are revised. Additionally, rainy day money set aside at the start of the fiscal year becomes available if it wasn't needed.

In addition to the General Fund, the BEA is projecting growth in two other revenue sources due to the improved economy. Lawmakers must spend this money in certain limited ways.



COLUMBIA - State government coffers suddenly are awash in money. ■ The state's economists have projected lawmakers will have almost \$1.3 billion to spend next year in unexpected additional money, the result of a thriving state economy and leftover funds from the previous year. ■ Lawmakers are listing flood relief, road and bridge repairs, and addressing a

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decades-old education funding equity lawsuit as some of the state's immediate needs that could be addressed, but some of them also want to look at some form of tax relief. See REVENUE, Page 4A

Revenue

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"The disturbing pattern in Columbia is that the so-called needs in government seem to correspond with how much money is being taken in from taxpayers," Sen. Tom Davis, a Beaufort Republican, told *The Greenville News*. "As we go about deciding how to best spend that money, if we go ahead and identify the core infrastructure needs we have and we have sufficient funds to take care of those items, the balance of the money ought to be sent back to the taxpayer."

Senate Majority Leader Harvey Peeler of Gaffney, a senior member of the Senate Finance Committee, listed tax relief as among the items he said the new money should enable.

"Income tax reduction

would help our economy as much as anything," he said.

Rep. Chip Limehouse, a Charleston Republican and first vice chairman of the House Ways and Means Committee, said he thinks tax relief should be the priority of spending what is available in the new money.

If the money could be used to remove the income tax and corporate tax, even for a year, it would produce an economic "boon," he said.

Sen. Mike Fair, a Greenville Republican and a member of the Senate Finance Committee, said the money should help negotiations over a compromise on road funding.

The money could shore up the position of those who want to support a reduction in income tax as part of a package to spend more money on roads, as was proposed earlier this year by Gov. Nikki Haley,

he said. The Senate failed to pass any roads plan this year, including a GOP plan that would have included tax relief.

Opponents of pairing an income tax reduction with roads funding had argued the state could not afford such a cut in income tax revenue.

Fair said the new money could be used to "leverage" a compromise on roads, providing tax relief as well as road and bridge improvements.

"I like the idea of using excessive revenues to enhance our (income tax) reduction in getting our roads bill passed," he said. "We can get a permanent tax rebate by not collecting the tax in the first place on their income."

Rep. Gary Simrill, a Rock Hill Republican who chaired a committee last year that crafted a road-funding plan, said the \$1.3 billion does not change the fact that the state still needs a sustainable and

reliable source of new revenue for infrastructure.

Some of the new money should be used for taxpayers, he said.

"I think certainly this is an opportunity for a tax rebate to the citizens of South Carolina as well as tax reform," he said.

Rep. Garry Smith, a Simpsonville Republican who sits on the House Ways and Means Committee, said using some of the new money on a tax rebate merits consideration, "particularly when you are talking about things you are already taking out of the taxpayer's pocket."

"If you have a lot of surplus, one thing you should certainly look at is giving some of that back to the taxpayer, putting it back in their pocket," he said.

Lawmakers said they are unsure how they will approach the new money until they know more about the state's major needs.

Rep. Dwight Loftis, a Greenville Republican and member of the Ways and Means Committee, said he is open to the idea of tax relief but first wants to know the state's tab for flood damage.

Officials say that number may not be known until next month.

Sen. Nikki Setzler, leader of the Senate Democrats and a member of the Senate Finance Committee, earlier this week

said he planned to file legislation for the state to borrow up to \$500 million to help pay for flood damage, with 25 percent of that reserved for local roads.

The projections of \$1.3 billion might not alter any plans for a bond bill, one option, he said, in a menu of choices facing lawmakers. Simrill also said he believes a bond bill remains viable, even with the new money.

Setzler said a significant portion of \$1.3 billion is one-time money that legislators can't use for recurring needs. According to the state Revenue and Fiscal Affairs Office data, \$458 million of the amount is one-time revenues.

"We still have huge, huge issues to deal with," he said, referring to flood damage and road repair needs as well as the education-funding lawsuit. "I think it has to be a bi-partisan solution in dealing with the roads issue in this state and it's going to take

a menu of options."

Asked about a tax rebate, Setzler said "anything is on the table, but I think the first thing we have to deal with is flood damage."

Rep. Kenny Bingham, a Lexington County Republican who sits on the Ways and Means Committee, said flood damage, infrastructure and education funding are among the state's most pressing needs.

He said it's premature to say whether the state should or should not borrow money for flood damage.

"I think you take it one step at a time and use the resources you have on hand in the most conservative way possible to deal with the issues facing the state," he said. "After that is allocated and there is a need that rises to that level, then you look at bonding."

Peeler said the new forecast takes pressure off lawmakers to borrow money, or at least not to borrow as much.

Davis said however the money is spent, he hopes lawmakers will focus on the state's needs and not those who will lobby for the money.

"They'll be descending on Columbia like locusts," he said. "Everybody is going to want that money and we're going to have to remain focused and make sure the money goes where it's actually needed and not for some wish-list projects."

SOME LAWMAKERS' SPENDING IDEAS

Flood relief (the state's share of expenses after federal reimbursements)

Road and bridge improvements (annual need estimates range from \$400 million to about \$1.5 billion)

Education funding equity (addressing the Supreme Court's decision in a case that is decades old)

Tax relief (either some type of rebate or income tax reduction)

Higher education capital needs (some included on failed bond bill this year)